

**TOWN OF OLUSTEE**  
Financial Statements  
as of and for the twelve months ended  
June 30, 2014

David O. Tate  
Certified Public Accountant  
Mangum, Oklahoma 73554

Town of Olustee  
Table of Contents  
June 30, 2014

Independent Auditor's Report	3
Financial statements:	
Government-Wide Statements	
Exhibit A-Statement of Net Position	5
Exhibit B-Statement of Revenues, Expenses, and Changes in Net Position	6
Fund Statements	
Exhibit C-Balance Sheet-Governmental Funds	7
Exhibit D-Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds	8
Exhibit E-Statement of Net Assets-Proprietary Funds	10
Exhibit F-Statement of Revenues and Expenses-Proprietary Fund	12
Exhibit G-Statement of Cash Flows-Proprietary Funds	13
Notes to the Basic Financial Statements	16
Supplementary information	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with "Government Auditing Standards"	25
Schedule of Findings	27

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

Independent Auditor's Report

The governing body of the Town of Olustee

**Report on the financial statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Town of Olustee as of and for the year ended June 30, 2014, which collectively comprise the Town's basic financial statements as listed in the table of contents.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's responsibility**

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Olustee as of June 30, 2014, and respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other matters**

### **Required supplementary information**

Management has omitted management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

A handwritten signature in black ink that reads "David O. Tate". The signature is written in a cursive style with a large initial "D" and "T".

Certified Public Accountant  
June 25, 2015

						Exhibit A
			Town of Olustee, Oklahoma			
			Statement of Net Position			
			June 30, 2014			
			Primary Government			
			Governmental	Business-type		
			activities	activities	Total	
Assets						
Cash and cash equivalents:						
Unrestricted			44,834	36,289	81,123	
Restricted					-	
Short-term investments:					-	
Unrestricted			47,077	339,076	386,153	
Restricted				80,275	80,275	
Accounts receivable (net of allowance					-	
for uncollectible accounts)			65	68,183	68,248	
Capital assets:						
Property and equipment, net of						
accumulated depreciation			162,947	710,926	873,873	
Total assets			254,923	1,234,749	1,489,672	
Liabilities						
Current liabilities:						
Accounts payable			1,930	2,090	4,020	
Notes payable-current portion				21,187	21,187	
Accrued interest payable				652	652	
Total current liabilities			1,930	23,929	25,859	
Long-term liabilities:						
Notes payable				142,867	142,867	
Refundable deposits				43,675	43,675	
Total long-term liabilities			-	186,542	186,542	
Total liabilities			1,930	210,471	212,401	
Net position						
Net investment in capital assets			162,947	546,872	709,819	
Restricted for:						
Debt service reserve				36,600	36,600	
Customer deposits				43,675	43,675	
Unrestricted			90,046	397,131	487,177	
Total net position			252,993	1,024,278	1,277,271	
Total liabilities and net position			254,923	1,234,749	1,489,672	
See the accompanying notes to the basic financial statements						

Town of Olustee, Oklahoma						
Statement of Activities and Changes in Net Position						
For the twelve months ended June 30, 2014						
		Program revenues	Net (expense) revenue and changes in net assets			
			Primary government			
Functions/programs	Expenses	Charges for services	Operating grants	Governmental activities	Business-type activities	Total
Primary government						
Governmental activities						
General government	189,746	1,792		(187,954)		(187,954)
Total governmental activities	189,746	1,792	-	(187,954)		(187,954)
Business-type activities						
Utility services	597,082	686,039			88,957	88,957
Total business-type activities	597,082	686,039	-		88,957	88,957
Total primary government	786,828	687,831	-	(187,954)	88,957	(98,997)
		General revenues				
		Taxes:				
		Alcoholic beverage		3,122		3,122
		Franchise		3,437		3,437
		Sales		6,577		6,577
		Use		25,028		25,028
		Tobacco		73		73
		Gasoline excise		1,542		1,542
		Motor vehicle		4,615		4,615
		Public safety fee		23,241		23,241
		Investment income		2,141	1,706	3,847
		Other		1,098		1,098
		Transfers in (out)		96,083	(96,083)	-
		Total general revenues		166,957	(94,377)	72,580
		Change in net position		(20,997)	(5,420)	(26,417)
		Net position, July 1, 2013		273,989	1,029,699	1,303,688
		Net position, June 30, 2014		252,992	1,024,279	1,277,271
See the accompanying notes to the basic financial statements						

Town of Olustee, Oklahoma						
Balance Sheet						
Governmental Funds						
June 30, 2014						
				Other		
			General	governmental		
			fund	funds	Total	
Assets						
Cash and cash equivalents			40,347	4,487	44,834	
Short-term investments			47,077		47,077	
Accounts receivable			65		65	
Total assets			87,489	4,487	91,976	
Liabilities and Fund Balances						
Liabilities:						
Current liabilities:						
Accounts payable			1,930		1,930	
Total liabilities			1,930	-	1,930	
Fund balances:						
Unassigned			85,559	4,487	90,046	
Total fund balance			85,559	4,487	90,046	
Total liabilities and fund balance			87,489	4,487	91,976	
Reconciliation to Statement of Net Position:						
Amounts reported for governmental activities in the statement of						
net position are different because:						
Amounts withheld from employees but not paid						
Capital assets used in governmental activities of \$623,471 net of						
accumulated depreciation of \$460,524, are not financial resources						
and, therefore are not reported in the funds					162,947	
Net position of governmental activities					252,993	
See the accompanying notes to the basic financial statements						

							Exhibit D
							Page 1 of 2
Town of Olustee, Oklahoma							
Statement of Revenues, Expenditures, and							
Changes in Fund Balances							
Governmental Funds							
For the twelve months ended June 30, 2014							
					Other		
				General	governmental		
				fund	funds	Total	
Revenues:							
Taxes:							
Alcoholic beverage				3,122		3,122	
Franchise				3,437		3,437	
Sales				6,577		6,577	
Use				25,028		25,028	
Tobacco trust fund				73		73	
Gasoline excise					1,542	1,542	
Motor vehicle					4,615	4,615	
Charges for services				1,455		1,455	
Investment income				2,127	14	2,141	
Municipal fines				337		337	
Public safety fees				23,241		23,241	
Other				1,098		1,098	
Total revenues				66,495	6,171	72,666	
Expenditures:							
General government							
Personal services				88,924		88,924	
Maintenance/operation				71,669	9,113	80,782	
Capital outlay				-	-	-	
Total expenditures				160,593	9,113	169,706	
Excess (deficiency) of revenues over expenditures before other financing sources and uses				(94,098)	(2,942)	(97,040)	
Other financing sources and uses:							
Interest expense						-	
Operating transfers in				96,083		96,083	
Operating transfers out						-	
Total other financing sources (uses)				96,083	-	96,083	
Excess (deficiency) of revenues over expenditures and changes in net position				1,985	(2,942)	(957)	
Fund balances, July 1, 2013				83,574	7,429	91,003	
Fund balances, June 30, 2014				85,559	4,487	90,046	
See the accompanying notes to the basic financial statements							





Town of Olustee, Oklahoma						
Statement of Net Position						
Proprietary Fund						
June 30, 2014						
				Olustee		
				Public		
				Works		
				Authority	Airfield	Total
				Enterprise funds		
Assets						
Current assets						
Cash and cash equivalents:						
Unrestricted				9,079	27,210	36,289
Restricted						-
Short-term investments:						-
Unrestricted				308,652	30,424	339,076
Restricted				80,275		80,275
Accounts receivable (net of allowance for uncollecti				68,183		68,183
Total current assets				466,189	57,634	523,823
Noncurrent assets						
Property and equipment net of accumulated deprec				710,926		710,926
Total noncurrent assets				710,926		710,926
Total assets				1,177,115	57,634	1,234,749
Liabilities						
Current liabilities						
Accounts payable				2,090		2,090
Notes payable-current portion				21,187		21,187
Accrued interest payable				652		652
Total current liabilities				23,929		23,929
Noncurrent liabilities						
Refundable deposits				43,675		43,675
Notes payable-noncurrent portion				142,867		142,867
Total noncurrent liabilities				186,542	-	186,542
Total liabilities				210,471	-	210,471
See the accompanying notes to the basic financial statements						

Town of Olustee, Oklahoma
Statement of Net Position
Proprietary Fund
June 30, 2014

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Town of Olustee, Oklahoma						
Statement of Revenues, Expenses, and Changes in Net Position						
Proprietary Fund						
For the twelve months ended June 30, 2014						
				Olustee		
				Public		
				Works		
				Authority	Airfield	Total
Operating revenues:				Enterprise funds		
Utility services				650,344		650,344
Penalties				6,358		6,358
Gross revenue from operations				656,702	-	656,702
Cost of utility services				348,158		348,158
Net revenues from utility services				308,544	-	308,544
Rent					29,242	29,242
Other income/revenues				94		94
Net operating revenue				308,639	29,242	337,881
Operating expenses:						
Repairs/maintenance				113,576	1,055	114,631
Depreciation				39,546		39,546
Salaries/wages				74,371		74,371
Bad debts				11,777		11,777
Other				20		20
Total operating expenses				239,290	1,055	240,345
Net operating income (loss)				69,348	28,188	97,536
Non-operating revenues (expenses):						
Intergovernmental revenues						-
Investment income				1,287	419	1,706
Interest expense				(8,579)		(8,579)
Operating transfers in (out)				(61,810)	(34,273)	(96,083)
Total non-operating revenues (expenses)				(69,102)	(33,854)	(102,956)
Change in net position				246	(5,666)	(5,420)
Net position, July 1, 2013				966,398	63,301	1,029,699
Net position, June 30, 2014				966,644	57,635	1,024,279
See the accompanying notes to the basic financial statements						

Town of Olustee, Oklahoma						
Statement of Cash Flows						
Proprietary Fund						
For the twelve months ended June 30, 2014						
				Olustee		
				Public		
				Works		
				Authority	Airfield	Total
				Enterprise funds		
Cash flows from operating activities						
Receipts from customers				625,809	29,242	655,051
Payments to suppliers				(461,754)	(1,055)	(462,809)
Payments to employees				(74,371)		(74,371)
Receipts (refunds) of customer utility deposits				1,936		1,936
Net cash provided by operating activities				91,620	28,187	119,807
Cash flows from capital and related financing activities						
Intergovernmental revenues						-
Net operating transfers in (out)				(61,810)	(34,273)	(96,083)
Principal paid on capital debt				(20,514)		(20,514)
Acquisition of property and equipment						-
Interest paid on capital debt				(8,735)		(8,735)
Net cash used in capital and related financing activities				(91,059)	(34,273)	(125,332)
Cash flows from investing activities:						
Interest earned				1,287	419	1,706
Net cash flows provided by investing activities				1,287	419	1,706
Net increase (decrease) in cash and cash equivalents				1,848	(5,667)	(3,819)
Balance, July 1, 2013				396,158	63,301	459,459
Balance, June 30, 2014				398,006	57,634	455,640
See the accompanying notes to the basic financial statements						

							Exhibit G
							Page 2 of 2
Town of Olustee, Oklahoma							
Statement of Cash Flows							
Proprietary Fund							
For the twelve months ended June 30, 2014							
				Olustee			
				Public			
				Works			
				Authority	Airfield	Total	
				Enterprise funds			
Reconciliation of operating income (loss) to net cash provided by operating activities:							
Operating income (loss)				69,348	28,188	97,536	
Adjustments to reconcile operating income to net cash provided by (used in)							
operating activities:							
Depreciation expense				39,546		39,546	
Bad debts expense				11,777		11,777	
Change in assets and liabilities:							
Increase/decrease in accounts receivable				(31,194)	(1)	(31,195)	
Increase/decrease in accounts payable				207		207	
Increase/decrease in refundable deposits				1,936		1,936	
Net cash provided by (used in) operating activities				91,620	28,187	119,807	

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**1. The financial reporting entity.**

In determining the financial reporting entity, the Town of Olustee complies with the provisions of Governmental Accounting Standards Board Statement Number 14, "The Financial Reporting Entity" as amended by Governmental Accounting Standards Board Statement 61 and includes all component units for which the Town of Olustee is financially accountable.

The Town of Olustee's financial reporting entity includes the primary government (Town of Olustee) and blended component units (Olustee Public Works Authority and Airfield).

The Town of Olustee operates the public safety, streets and highways, parks and recreation, and administrative activities.

The Town of Olustee is located in Jackson County, Oklahoma with a population (according to the 2010 census conducted by the U. S. Census Bureau) of 607. The Town is governed by a five member council elected by the citizens of the Town of Olustee.

Olustee Public Works Authority – Accounts for the operation of the electric, water, sewer, and sanitation activities and collects the public safety fee for the Town of Olustee.

Airfield – Accounts for the activities in connection with the rental and maintenance of the airfield.

The Olustee Public Works Authority and the Airfield is governed by the same members as the council of the Town of Olustee. As such, the Town is able to impose its will on The Olustee Public Works Authority and the Airfield through required approval of all debt obligations issued by this unit.

The component unit (The Olustee Public Works Authority) is a public trust established pursuant to Title 60 of Oklahoma Statutes. Public Trusts have no taxing power. These trusts are usually created to finance services through the issuance of revenue bonds or other non-general obligation debt. These trusts generally retain title to assets which are acquired or constructed with trust debt or other trust generated resources. The Town of Olustee, as beneficiary of the trust, receives title to any residual assets when a public trust is dissolved.

**2. Basis of presentation and accounting.**

*Government-Wide Financial Statements*

The statement of net position and revenues, expenses, and changes in net position is reported on the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when earned and expenses (including depreciation and amortization) are recorded when the liability is incurred or economic asset used.

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**2. Basis of presentation and accounting (continued).**

*Government-Wide Financial Statements (continued)*

Program revenues within the statement of revenues, expenses, and changes in net position are derived directly from each activity or from parties outside the Town of Olustee's taxpayers. The Town of Olustee has the following program revenues in each activity:

General government – Rentals of facilities, operating grants, capital grants, and public safety fees collected for the Town of Olustee by the Olustee Public Works Authority.

Streets and highways – Commercial vehicle tax and gasoline excise tax shared by the State of Oklahoma

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

For business-type activities, Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied as they apply to accrual basis, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements, in which case, Governmental Accounting Standards Board pronouncements prevail. The Town of Olustee's reporting entity does not apply Financial Accounting Standard Board pronouncements of Accounting Principles Board opinions issued after November 30, 1989.

*Governmental funds*

The Town of Olustee's governmental funds are comprised of the following:

**Major fund**

General fund – Accounts for all activities not accounted for in other special-purpose funds.

**Non-major fund (reported as other governmental funds)**

Street and alley fund – Accounts for amounts shared by the State of Oklahoma of commercial vehicle taxes and gasoline excise taxes restricted for maintenance of streets, highways and alleys.

The governmental funds are reported on the modified accrual basis of accounting and current financial resources measurement focus. On the modified accrual basis of accounting, revenues are recorded when earned and measurable and available to pay current financial obligations, while expenditures are recorded when incurred and payable from current financial resources. The Town of Olustee defines revenue availability as collected within sixty (60) days of year end.

The reconciliation of the governmental funds financial statements to the governmental activities presentation in the government-wide financial statements is the result of the use of the accrual basis of accounting and economic resources measurement focus at the government-wide level.



Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**2. Basis of presentation and accounting (continued).**

*Proprietary funds*

When the Town of Olustee charges customers for the services it provides, revenues and expenses from these services are generally reported in proprietary funds. Proprietary funds include enterprise funds. Enterprise funds are used to account for business-like activities provided to the general public. Proprietary funds are reported on the accrual basis of accounting and economic resources measurement focus. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. The Town of Olustee's enterprise funds are the Olustee Public Works Authority and the Airfield.

For business-type activities and proprietary funds, Financial Accounting Standards Board pronouncements and Accounting Principles Board opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board pronouncements, in which case, Governmental Accounting Standards Board pronouncements prevail.

The Town of Olustee's proprietary funds are comprised of the following:

**Major funds**

Olustee Public Works Authority – Accounts for the operation of the electric, water, sewer, and sanitation activities and collects the public safety fee for the Town of Olustee.

Airfield – Accounts for the activities in connection with the rental and maintenance of the airfield.

For purposes of the statement of revenues, expenses, and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

**3. Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and certain assumptions that affect certain reported amounts and disclosures; accordingly, actual results could differ from those estimates.

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

## 5. Cash, cash equivalents, deposits, and investments

For the purposes of the statements of net position, balance sheets, and statement of cash flows, cash and cash equivalents includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less.

### *Custodial credit risk*

Custodial credit risk is the risk that in the event of a bank failure, the government deposits may not be return to it. The Town of Olustee is governed by the State Public Deposit Act which requires that the town obtain and hold collateral whose fair value exceeds the amount of uninsured deposits. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and if held by a counterparty or a counterparty's trust department or agent, but not in the government's name.

As of June 30, 2014, the Town of Olustee was not exposed to custodial credit risk as defined above.

### *Investment credit risk*

The Town of Olustee's investments are limited to the following:

- a. Direct obligations of the U. S. Government, its agencies and instrumentalities to which the full faith and credit of the U. S. Government is pledged, or obligations to the payment of which the full faith and credit of the State of Oklahoma is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitations, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper, and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in paragraphs a, b, c, and d.

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**5. Cash, cash equivalents, deposits, and investments (continued)**

*Restricted cash and cash equivalents*

The amounts reported as restricted cash and cash equivalents on the statement of net position are comprised of amounts required to be held in reserve by debt covenants or deposits held for others.

The amount placed in a reserve account required by a debt covenant with the U. S. Department of Agriculture is \$36,600. Amounts held as utility deposits of customers are \$45,611.

**6. Accounts receivable**

Accounts receivable of the business-type activities consists of customers utilities services provided and billed, due at year end, reported net of allowance for uncollectible amounts. The amount due from customers is \$119,315 and the allowance for uncollectible amounts is estimated to be \$51,132 which management feels is adequate.

**7. Capital assets**

Capital assets consist of land, land improvement, construction in progress, building and building improvements, machinery and equipment and furniture and fixtures. A capitalization threshold of \$2,500 is used to report capital assets. Capital assets are reported at actual or estimated historical cost. Estimated historical cost was used to value the majority of the assets acquired prior to June 30, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets such as streets, bridges, drainage systems and traffic signal systems were not capitalized. Infrastructure assets acquired since that date are recorded at cost. If donated capital assets are received, they are recorded at their fair value at the date of donation.

Property, plant, and equipment of the primary government as well as the component units are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Automotive equipment	10 years
Machinery and equipment	10 years
Infrastructure	50 years
Data processing equipment	7 years

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**7. Capital assets (continued)**

The changes in capital assets are summarized below:

	Beginning balance July 1, 2013	Additions	Deductions	Ending balance June 30, 2014
Governmental activities:				
Equipment	623,471			623,471
Total capital assets at historical cost	623,471	-	-	623,471
Less accumulated depreciation for:				
Equipment	(440,484)	(20,040)		(460,524)
Governmental activities capital assets	182,987	(20,040)	-	162,947
Business type activities:				
Buildings	78,000			78,000
Water, sewer, electrical systems	1,255,714			1,255,714
Total other capital assets at historical cost	1,333,714	-	-	1,333,714
Less accumulated depreciation for:				
Water, sewer, electrical systems	(583,242)	(39,546)		(622,788)
Total accumulated depreciation	(583,242)	(39,546)	-	(622,788)
Business type activities capital assets	750,472	(39,546)	-	710,926

Depreciation of capital assets is included in total expenses and is charged or allocated to the activities primarily benefitting from the use of the specific asset. Depreciation expense of \$20,040 has been charged to governmental activities and \$39,546 has been charged to business-type activities for the year ended June 30, 2014.

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**8. Debt service requirements**

		U. S. Department of Agriculture				
			Principal	Interest	Total	
		2014-2015	21,187	7,721	28,908	
		2015-2016	22,271	6,637	28,908	
		2016-2017	23,370	5,498	28,867	
		2017-2018	10,077	4,552	14,629	
		2018-2019	5,573	4,231	9,804	
		2019-2024	32,446	16,574	49,020	
		2024-2029	41,640	7,380	49,020	
		2029-2034	7,492	1,706	9,198	
		Total	164,054	54,300	218,354	

The note payable to the U. S. Department of Agriculture bears interest at the rate of 5% per annum and is repayable in monthly payments of \$2,409.

The changes in debt are shown below:

			Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	
	U. S. Department of Agriculture		184,568		20,514	164,054	
	Customer deposits		44,345	9,530	10,200	43,675	
	Totals		228,913	9,530	30,714	207,729	

**9. Net position and fund balances**

*Net position*

Net position is reported in the government-wide and proprietary fund financial statements and is displayed in three components:

*Net investment in capital assets*-Consists of capital assets and related accounts, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

*Restricted net position*-Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments or by law through constitutional provisions or enabling legislation.

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**9. Net position and fund balances (continued)**

*Net position (continued)*

*Unrestricted net position*-All other net position that does not meet the definition of "restricted" or "net investment in capital assets".

It is the Town of Olustee's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for which both restricted and unrestricted net position is available.

*Fund balances*

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned and unassigned. These classifications are defined as:

*Non-spendable*-includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact.

*Restricted*-consists of fund balance with constraints placed on the use of resources either by external groups such as creditors, grantors, contributors, or laws or regulations of other governments or by law through constitutional provisions or enabling legislation.

*Committed*-includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the town's highest level of decision-making authority. The town's highest level of decision-making authority is by ordinance. The Town of Olustee currently reports no committed fund balance.

*Assigned*-includes amounts that are constrained by the town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by governing body action or management decision when the governing body has delegated that authority. Assignments for transfers and interest income for governmental funds are made through the budgetary process.

*Unassigned*-represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the general fund.

It is the Town of Olustee's policy to first use restricted fund balance prior to the use of unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balance are available. The town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Proprietary fund equity is classified the same as in the government-wide statements.

In the proprietary funds, restricted net position is the amount placed in a reserve account required by a debt covenant with the U. S. Department of Agriculture of \$36,600. Amounts held as utility deposits of customers are \$43,675.

Town of Olustee, Oklahoma  
Notes to the Basic Financial Statements  
June 30, 2014

**10. Internal balances and transfers between legal entities**

The Town of Olustee's policy is to eliminate inter-fund transfers and balances in the statements of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances and then offset in the total column in the government-wide statements. Inter-fund transfers and balances are not eliminated in the fund financial statements.

**11. Risk management**

The Town of Olustee is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee health and life; and natural disasters. The Town of Olustee manages these various risks of loss by purchasing insurance. Management believes such insurance coverage is sufficient to preclude any significant uninsured losses to the town, and such claims have not exceeded the coverage over the past several fiscal years.

**12. Commitments, contingencies and subsequent events**

The Town of Olustee and its component units participate in various federal or state loan and/or grant programs from year to year. For the year ended June 30, 2014, the Town of Olustee's involvement in federal and state award programs was immaterial. These programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to insure compliance with the specific conditions of the grant or loan. The Town of Olustee has not been notified of any noncompliance with federal or state award requirements.

The Town of Olustee has been awarded grants in the amount of \$97,850. These amounts were received after the close of the fiscal year. The grants were awarded to facilitate the purchase of a fire truck for use by the volunteer fire department. The truck was purchased and placed in service after the close of the fiscal year. The cost of the fire truck was \$93,950.

***David O. Tate***

Certified Public Accountant  
112 North Oklahoma, Suite A  
Mangum, Oklahoma 73554

**Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit  
of the Financial Statements Performed in Accordance with "Government Auditing Standards"**

The governing body of the Town of Olustee

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Olustee as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Town of Olustee's basic financial statements, and have issued my report thereon dated June 25, 2015.

**Internal control over financial reporting**

In planning and performing my audit, I considered the Town of Olustee's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Olustee's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town of Olustee's internal control.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiency described in the accompanying schedule of findings to be a material weakness. This is identified as Finding 2014-001.

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Town of Olustee's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under "Government Auditing Standards".

**Purpose of this report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with "Government Auditing Standards" in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in dark ink, reading "David O. Tate". The signature is fluid and cursive, with the first name "David" and last name "Tate" clearly legible, and "O." as a middle initial.

Certified Public Accountant  
June 25, 2015

Town of Olustee, Oklahoma  
Schedule of Findings  
June 30, 2014

Finding number 2014-001 (Repeat).

Collection of accounts receivable.

Condition- In some cases, it appears the billing and collection policy as to the provision of utility services is not being enforced as to certain members of the governing body, employees of the Town of Olustee, and many other utility customers. As a result, amounts due the Olustee Public Works Authority has been allowed to go unpaid for an extended period of time in conflict with the adopted policy.

Criteria-The Olustee Public Works Authority has adopted a billing and collection policy to assist in recording, reporting and collecting revenues from providing utility services. Billings are prepared and mailed on the same day each month unless there are holidays or other interferences. Utility customers have until a prescribed date until the billings are past due, at which time a "late charge" is due. Following this, on a prescribed date, utility services are to be discontinued if payment has not been made in accordance with the policy.

Cause-Failure to enforce the billings and collection policy of the Olustee Public Works Authority as prescribed in the ordinances and other policies adopted by the Town (the beneficiary of the trust known as Olustee Public Works Authority) and the trust.

Effect-The cash that has not been collected is not available for payment of expenses and other indebtedness of the Olustee Public Works Authority or for transfer to the Town of Olustee.

Recommendation-Steps should immediately be taken to enforce the billing and collection policy with an established provision to assure those amounts that are past due are also collected within a reasonable period of time. Further, the policy should be adhered to beginning immediately and no reasons for non-payment accepted from utility customers except that Oklahoma statutes requires some payment terms be offered to all customers.

Management's response-The Town Clerk has spoken with Alicia Walker (a trustee) and Gary King, Jr. (the chairman of the board of trustees) to resolve the past due receivables. The accounts will be monitored more closely and an updated method has been implemented to assure enforcement of the billing and collection policy.